

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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R 311443Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6499

INFO AMEMBASSY BONN

AMEMBASSY LONDON

UNCLAS PARIS 2754

E.O. 11652: N/A

TAGS: PLAB

SUBJECT: LIP AFFAIR ENDS IN ACCORD JANUARY 29, 1974

REF: PARIS A-845

1. SUMMARY. WORKER ACTION WHICH, FOR TEN MONTHS, BLOCKED LIQUIDATION OF BANKRUPT LIP ESTABLISHMENT AT BESANCON ENDED IN JANUARY 29 ACCORD, RE-LAUNCHING TWO OF THREE FORMER LIP OPERATIONS AND GUARANTEEING RE-HIRE OF 500 OF FORMER 1288-MAN WORKFORCE. GIVEN GENERAL SOPERATION AT CONTINUING IMPASSE, CHASTENED WORKERS ACCEPTED SETTLEMENT UNDER RUBRIC "MAKING BEST OF BAD DEAL". END SUMMARY.

2. TEN-MONTH -OLD AFFAIRE LIP, LONGEST AND MOST CONTROVER-SIAL LABOR ACTION OF POSTWAR ERA, ENDED IN ACCORD SIGNED AT DOLE JANUARY 29. TERMS OF SETTLEMENT ACCEPTED BY NEAR-UNANIMOUS MAJORITY OF WORKERS WERE INFERIOR IN SEVERAL RESPECTS TO GIRAUD PLAN (REFAIR) REFUSED LAST OCTOBER BY SAME WORKERS, THEN UNDER EXTREMIST INFLUENCE AND RIDING WAVE OF STRONG PRESS AND PUBLIC SUPPORT. JANUARY 29 SETTLEMENT PROJECTS PRIVATELY-FINANCED FRANCO-SWISS  
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HOLDING COMPANY BRACKETING TWO REMAINING LIP OPERATIONS:

WATCHES AND ARMAMENT. MACHINE TOOL SEGMENT RESUMED INDEPENDENTLY ON NOVEMBER 18, 1973.

3. SETTLEMENT PROVIDES INTER ALIA FOR RE-HIRE OF ONLY 300 WORKERS BY END OF MARCH , 500 BY END OF SEPTEMBER. GIRAUD'S OCTOBER PLAN WOULD HAVE GIVEN IMMEDIATE EMPLOYMENT TO 989 OF ORIGINAL 1288 LIP WORKERS. RECORDS, MACHINE PARTS, SOME 10,000 FINISHED WATCHES, AND ROUGHLY \$440,000 IN CASH--ALL THAT REMAINED OF COMPANY PROPERTY APPROPRIATED BY THE WORKERS EARLY IN CONFLICT-- WERE HANDED OVER TO THE NEW MANAGEMENT ON JANUARY 30. WORKERS ARE UNLIKELY TO BE PURSUED LEGALLY FOR THIS "APPROPRIATION"WHICH FEW REGARD AS THEFT.

4. COMMENT. LIP AFFAIR IN ITS ORIGINAL ASPECT, AS IMAGINATIVE LABOR RESPONSE TO EMPLOYMENT PROBLEM PRECIPITATED BY INEPT MANAGEMENT, COMMANDED WIDE PUBLIC SYMPATHY AND SUPPORT. BUT WIDE PUBLIC SYMPATHY AND SUPPORT. BUT AS EXTREMIST INFLUENCE BECAME EVIDENT IN REFUSAL OF GIRAUD PLAN, EXASPERATION REPLACED SYMPATHY. GOVERNMENT, PATRONAT, THE PUBLIC GENERALLY, AS WELL AS TRADE UNIONS, WERE GLAD TO SEE END OF THE AFFAIR.

5. THE CGT, WHICH HAD ADVISED ACCEPTANCE OF GIRAUD PLAN, REGRETTED TERMS OF THE JANUARY 20 SETTLEMENT, BUT, IN THE PROSPECT OF NOTHING BETTER, COUNSELED ACCEPTANCE. THE CFDT WHICH, AS MAJORITY UNION AT LIP, MUST BEAR A GOOD DEAL OF THE RESPONSIBILITY FOR THE UNHAPPY OUTCOME, TRIED, INCREDIBLY, TO REPRESENT IT AS A VICTORY. FEW TOOK THEM SERIOUSLY, LEAST OF ALL THE LIP WORKERS, WHO WILL JUDGE THE SETTLEMENT, FINALLY, ON THE PACE OF RE-HIRE BEYOND THE ASSURED FIGURE OF 500. BUT THIS, ACCORDING TO THE AGREEMENT, WILL DEPEND UPON THE "FUTURE PROSPERITY OF THE NEW FIRM".STONE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANKRUPTCIES, LABOR UNIONS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974PARIS02754  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Handling Restrictions:** n/a  
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**Line Count:** 93  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** PARIS A-845  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** WorrelSW  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 OCT 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 OCT 2002 by elyme>; APPROVED <25-Nov-2002 by WorrelSW>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LIP AFFAIR ENDS IN ACCORD JANUARY 29, 1974  
**TAGS:** ELAB, LIP  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005